

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6564

BILL NUMBER: SB 217

DATE PREPARED: Feb 21, 2002

BILL AMENDED: Feb 21, 2002

SUBJECT: Muscatatuck State Developmental Center Closure.

FISCAL ANALYST: Michael Molnar

PHONE NUMBER: 232-9559

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires the Division of Disability, Aging, and Rehabilitative Services to take certain actions, including conducting public hearings, submitting a report to the Legislative Council and the Commission on Mental Retardation and Developmental Disabilities, and developing a plan, before downsizing Muscatatuck State Developmental Center. The bill specifies conditions that must be met before Muscatatuck State Developmental Center (MSDC) may be downsized.

This bill converts the Commission on Mental Retardation and Developmental Disabilities to a statutory commission that expires on January 1, 2005. The bill specifies that the term of a lay member is three years. It requires the Governor to fill a lay member vacancy within ten days after the vacancy occurs. The bill provides that under certain conditions the term of a lay member continues until a successor is appointed. It provides that the Commission operates under the policies governing study committees adopted by the Legislative Council.

The bill also provides benefits to certain laid-off state employees. The bill appropriates \$500,000 for the retraining of former employees of Madison State Hospital. It also repeals noncode provisions concerning the Commission.

Effective Date: (Amended) July 1, 2001 (Retroactive); March 1, 2002 (Retroactive); Upon passage; July 1, 2002.

Explanation of State Expenditures: (Revised) *Commission on Mental Retardation and Developmental Disabilities:* The conversion of the Commission to a statutory commission will not have a fiscal impact. The expiration date (January 1, 2005) and number of members on the Commission are not changed in this conversion from the language in P.L. 272-1999 and P.L. 242-1999.

Muscatatuck State Developmental Center:

Operating Cost: This bill requires all provisions be met prior to closing MSDC. This may result in MSDC remaining open beyond the scheduled closure date of June 2003. The extension of the closure date beyond this time requires an additional appropriation. The current appropriation for MSDC is \$56.4 M annually. The provisions of this bill expire on July 1, 2005, thus MSDC may remain open until this time.

The current appropriation for MSDC for FY 2002 is \$56.4 M. Of this amount \$3.6 M are fixed costs and \$52.8 M are staff and supply costs. The total per capita cost is \$149,300 with treatment cost of \$139,600 per year, including staff time only, and \$9,700 in supply costs. The per diem for residents at MSDC is currently \$667 per resident. Of this amount Medicaid reimburses the state \$265, with state cost of \$402 per resident. (The maximum Medicaid allowable per diem is \$428 per resident. This amount includes the state share of \$163. Since the MSDC per diem is above this match, the state is responsible for 100% of costs above this amount, an additional \$239.)

The FSSA hired BSA Design to review the condition of state-operated care facilities. This study estimates that MSDC requires \$84.1 M in capital improvements over the next ten-year period to maintain existing service. Some of these items may need addressed prior to the 2005 deadline.

Specific Requirements - This bill requires that the MSDC remain open until all residents are placed in adequate placements. These placements must fully meet the capabilities and needs of the residents, must be no further from the residents families, and must be acceptable to resident or the resident's representative. If a placement is not acceptable to a resident, the center may not be closed. It is unforeseeable as to the number of residents or resident's representatives that will not find any placement other than MSDC acceptable. This provision may require MSDC to remain open until July 1, 2005. Additional appropriations would be required to keep the facility open beyond the scheduled closure date of June 2003. The full \$56.4 M appropriation may not be required due to the decreased number of residents requiring care and the associated decrease in facility capacity demand.

Study Costs - The cost of the different study components are listed separately below. Where appropriate the costs for a study and an associated plan are presented together.

Public Hearing - The Family and Social Services Administration (FSSA) can conduct a public hearing at no additional expense. The FSSA has previously conducted public hearings regarding the closure of MSDC on the MSDC campus. Existing FSSA staff will be able to administer the hearing on the MSDC campus. **Cost** - No additional cost expected.

Study of Risks to Health and Well-being of Residents - The FSSA previously conducted a study on the requirements of each resident. The needs studied included: level of skilled nursing care required, supervision required, transportation required, and special needs including dietary and mobility. Staff indicate that this study can be parlayed into a risk assessment by current staff. **Cost** - No additional cost expected.

Study of Type of Placements Available and Required by Residents - The FSSA previously conducted a study on the requirements of each resident. The needs studied included: level of skilled nursing care required, supervision required, transportation required, and special needs including dietary and mobility. FSSA staff can conduct a complete study of placements needs in house at no additional cost. **Cost** - No additional cost expected.

Economic Impact and Redevelopment Study - The Jennings County Economic Development Commission is working on this component. FSSA provided some survey information to the Commission to assist with the planning. The Commission was granted \$150,000 of Build Indiana Funds to develop an economic impact study as well as an economic redevelopment plan for the MSDC campus.

Jennings County staff have requested an additional \$150,000 from the Federal Economic Development Administration. This money will be used in conjunction with the remaining money from the original grant to develop a county master plan. County staff state that a county plan is required in redeveloping the site because of infrastructure requirements and the large economic impact of the MSDC closure. If the grant is not approved they intend to seek additional state funds for the economic planning. **Cost** - \$150,000.

Environmental Risk Assessment and Remediation - The Family and Social Services Administration contracted with BSA Design to assess capital improvement needs of FSSA and ISDH facilities for the next ten years. The findings of this report are included in the Final Report of the Governor's Council on State-Operated Care Facilities in November 2000. The Muscatatuck State Developmental Center requires \$84 M in capital improvements that must be addressed in order to maintain the existing services. This study did not include any environmental remediation required. The study assumed that the facilities are "clean" and free of any potential environmental hazards such as asbestos, lead paint, leaking underground storage tanks, or other contamination requiring abatement. These abatement costs are difficult to assess, however, estimates for certain types of work are provided below.

There are three steps, or phases, in performing an environmental remediation. Note: these steps should be taken whether the MSDC remains open or closes.

- Phase I - site assessment - involves examination of historical records, government files, and an onsite visual assessment. This phase is useful in determining the potential contaminants onsite and general locations.
 - **Cost** - varies by site, estimated between \$3,500 to \$5,000.
- Phase II - site investigation - involves sampling and laboratory testing of groundwater, soil, and other potential contaminants such as lead paint and asbestos. This phase determines the extent of contamination and specific locations.
 - **Cost** - varies with extent of sampling required. Work estimated at \$2,000 per day (onsite), and additional \$80 per sample - 3-6 samples required per site.
- Phase III - site remediation - involves a variety of means to abate the environmental risk of contaminants onsite. This may involve soil removal, groundwater treatment, asbestos removal, bioremediation, or one of many other technologies deemed best and cost-effective for the type of contamination.
 - **Cost** - varies with extent of remediation required. Example: one leaking underground storage tank can cost between \$3,000 to \$500,000 to remediate.

Plan Costs - Plan and Timetable for Placement of all Residents - This portion of the plan could be conducted by FSSA staff with no additional resources required. Staff have already done some of the required work to meet this requirement. The MSDC currently serves 246 residents. Since the closure was announced, 33 residents have relocated from MSDC to other settings. Of the remaining 246 residents, 118 are in the process of planning for their transition from MSDC. The residents that moved out are in the following settings: 14 currently reside in supported living, 14 are in group homes, 2 are in alternate families for adults settings, and 3 individuals were transferred to Madison State Hospital. **Cost** - No additional cost expected.

Plan to Keep Stakeholders Informed of Closure Process - This portion of the plan could be conducted by FSSA staff with no additional resources required. FSSA staff have already conducted public hearings regarding the closure and are working with family members of residents in the relocation process. **Cost** - No additional cost expected.

Economic Redevelopment Plan for MSDC Campus - The Jennings County Economic Development Commission is working on this component. Plan will be included in overall county master plan at a cost of approximately \$300,000. **Cost** - \$150,000 already allocated, \$150,000 additional request.

Monitoring Plan for Health and Safety Compliance and Compliance with Provision of Closure Plan - This portion of the plan could be conducted by FSSA staff with no additional resources required. **Cost** - No additional cost expected.

Benefit Payment: Under this bill certain employees are entitled to payment for accrued leave time. Employees of the Division of Disability, Aging, and Rehabilitative Services; the Division of Mental Health and Addiction; the State Department of Health; and the Department of Correction; who are laid off or terminated solely because of the closing or downsizing of a facility and have not found another position with state government may receive additional benefits. Currently, the Division of Disability, Aging, and Rehabilitative Services is the only entity with published plans to either downsize or close a facility. The provisions of this bill are ongoing, and the total costs are not known at this time.

Employees that are terminated and do not find employment with another state agency are entitled to receive the salary equivalent of 60% of accrued sick leave, personal time, and vacation time in excess of 30 days. In addition, employees who have not obtained health care from other employment are eligible to remain in the state group health insurance program with the state paying the employer contribution for one year, unless they obtain a new job where the employer provides health insurance benefits.

Division of Disability, Aging, and Rehabilitative Services - Muscatatuck State Developmental Center Closure
- Total Cost - **\$2 to \$3.4 M**

This facility is scheduled for closure by June 2003. There are currently 896 staff employed at this facility. The *estimated* costs associated with payment of leave time and health care for staff are as follows.

Leave Time - Assumes that 75% of employees find employment outside of state government. The hours of leave time are estimates based upon employees that left state employment from December 16, 1999, to December 16, 2000. It assumes that staff have on average: 9.5 hours eligible vacation time, 51.2 hours sick time, and 2.4 hours personal time. The hourly rate used is \$12.41 (current average wage of employees at Muscatatuck). Cost to the state: \$315,967. This cost may be higher or lower depending upon actual employee leave time.

Health Benefits - The average cost for health coverage for Muscatatuck employees is \$297 biweekly. Cost to the state varies depending upon participation and duration of enrollment: Costs range from \$1.7 M (25% participation for one year) to \$3.1 M (45% participation for one year).

Workforce Development: The Department of Workforce Development is required to establish and operate retraining programs for employees of Madison State Hospital who are terminated from employment due to downsizing. This bill appropriates \$500,000 from the General Fund to the Department to establish this program.

Explanation of State Revenues:

Explanation of Local Expenditures: See economic development plan in *State Expenditures* section.

Explanation of Local Revenues:

State Agencies Affected: (Revised) Family and Social Services Administration, Department of Health, Department of Corrections, State Department of Personnel, and Department of Workforce Development.

Local Agencies Affected:

Information Sources:

Michelle Kearns, Environmental Scientist, Earth Source Inc., (219) 489-8511;

Eric Ellingson, President, Earth Source Inc., (219) 489-8511;

Joe Gordon, Vice President Remediation Services, Sagamore Environmental Services, Inc., (317) 842-0510;

Amy Brown, Legislative Director, Family and Social Services Administration, (317) 232-1149;

Alison Becker, Deputy Director - Fiscal Services, Family and Social Services Administration, (317) 234-1527; Kent Farr, Director - Institutional Finance, Family and Social Services Administration, (317) 232-7884;

Travis Campbell, Executive Director - Jennings County Economic Development Commission, (812) 346-2388; State staffing table January 25, 2002.